

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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POSTAL RATE COMMISSION
OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES, 2001

Docket No. R2001-1

RESPONSE OF THE UNITED STATES POSTAL SERVICE TO PRESIDING
OFFICER'S INFORMATION REQUEST No. 2

The United States Postal Service hereby provides the responses to questions 1-5 and 7-13 to the Presiding Officer's Information Request No. 2, dated October 17, 2001. Response to question No. 6 is forthcoming.

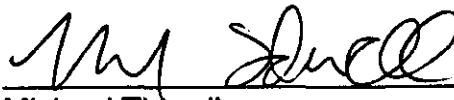
The request s are stated verbatim and are followed by the responses.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

Daniel J. Foucheaux, Jr.
Chief Counsel, Ratemaking


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October 31, 2001

**RESPONSE OF UNITED STATES POSTAL WITNESS KIEFER
TO PRESIDING OFFICER'S INFORMATION REQUEST 2**

QUESTION 1

At page 22 of USPS-T-33, witness Kiefer describes the use of 'Zoning Factors' to counteract the tendency toward anomalous rates due to the fact that non-local Intra-BMC transportation costs "bear no readily identifiable relationship to the distances between the origin and destination ZIP codes." These zoning factors for zones 1 & 2, 3, 4, and 5 are 0.99, 1.00, 1.02, and 1.05 respectively. a. Please describe how these factors were determined? b. Did the Postal Service explore other means of reducing the tendency for Intra-BMC rates to dictate DBMC rates? c. If so, please describe in detail and explain why each was rejected.

RESPONSE

- a. The values for these zoning factors were determined judgmentally so as to be initially revenue neutral, while reducing to acceptable levels the tendency for DBMC rates to be set by Intra-BMC rates. In this context, "revenue neutral" means that the factor values were selected so that they did not alter the total amount of revenue collected by the Intra-BMC rates.
- b + c. The Postal Service could have used a system of arbitrary or *ad hoc* adjustments to the Intra-BMC rate cells to address the rate anomaly. This approach was rejected in favor of the zoning factor approach, which the Postal Service believes to be superior because it allows rates to be adjusted in a systematic and analytically transparent fashion.

Response of United States Postal Service Witness Meehan
to
Presiding Officer Information Request No. 2

POIR/USPS-2. In the transportation workpapers for R2000-1 the Postal Service distributed empty equipment cost for highway based on all highway costs. It distributed the empty equipment for rail based on all rail costs. In docket R2000-1 the Commission recommended adoption of MPA's proposal to distribute empty equipment rail costs based on the costs of all surface transportation rather than just the other rail costs. In this docket the Service appears to have distributed the empty equipment costs for both highway and rail based on the combined costs of both surface and air transportation. Please explain this change in distribution methodology.

Response:

The Postal Service did indeed change the distribution of both highway and rail costs in its FY 2000 CRA. (It was inadvertently left out of the base year testimony section on changes in the FY 2000 CRA.) This change was carried over to the base year. As the question indicates, two changes were made. First, the empty equipment cost distribution was based on all transportation costs, not just surface transportation costs. This change was made in recognition of the fact that the equipment being transported includes mail transport equipment (e.g., sacks, letter trays, flat tubs, pallets,) used in all modes of transportation, not just surface transportation. Second, the distribution of highway empty equipment costs was changed to recognize that these costs are incurred to transport the same assortment of empty equipment as is transported on rail.

DECLARATION

I, Karen Meehan, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Karen B Meehan

Dated: 10/31/01

RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS XIE TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 2

3. In R2000-1 witness Bradley presented, and the Commission recommended, a 'compromise' method of allocating empty space in formulating the distribution keys for highway transportation. See R2000-1 USPS-RT-8 for an explanation of this method. Has the Service used this method to develop the distribution key for highway transportation in this docket? If not, why not? If so, please provide a cite to the relevant calculations.

RESPONSE

Yes. For documentation of the "compromise method" please see Postal Service Library Reference J-32, page 25.

DECLARATION

I, Jennifer J. Xie, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


Jennifer J. Xie

Dated: 10/31/01

**RESPONSE OF WITNESS JENNIFER L. EGGLESTON TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 2, QUESTION 4**

POIR-2-4.

The Parcel Select volumes for zones 3, 4, and 5 in witness Eggleston's LR-J-64, file 2ptran.xls, page TYBR Pieces, do not match the volumes for Parcel Select zones 3, 4, and 5 in witness Keifer's LR-J-106. For example, for 10 pounds in zone 3 witness Eggleston has 541,479 pieces; witness Keifer has 559,470. Please reconcile these differences.

RESPONSE:

The volume distribution in LR-J-106 is the distribution that should be used in any further analysis. The discrepancy is due to the fact that the Parcel Select volume distribution in LR-J-106 was updated late in the preparation of the rate case. At the time of the update, work further upstream (i.e. cost studies, final adjustments) were already completed. It was deemed unnecessary and unduly burdensome to go back and update this work, given that the impacts on the cost models and final adjustments are minimal (see Attachments A and B). The only notable change in the cost estimates that results from using the updated TYBR volume distribution is the transportation cost estimate for DBMC Parcel Post, zone 5. The impact of this cost estimate should be minimal since DBMC zone 5 volume is only 0.1 percent of total DBMC volume.

POIR-2, QUESTION 4
ATTACHMENT A

Parcel Post Cost per Cubic Foot Transportation Costs
Comparison of Results using different TYBR volume distributions
(For POIR-2, question # 4)

Zone	PP Tran Costs per Cubic Foot (with different TYBR volume dist)		
	LR-J-64	LR-J-106	Difference
Inter-BMC			
1-2	\$3.8911	\$3.8862	-\$0.0049
3	\$4.3242	\$4.3193	-\$0.0049
4	\$5.0351	\$5.0302	-\$0.0049
5	\$6.0798	\$6.0749	-\$0.0049
6	\$7.2637	\$7.2589	-\$0.0049
7	\$8.5923	\$8.5874	-\$0.0049
8	\$11.7408	\$11.7360	-\$0.0049
Intra-BMC			
Local	\$1.8751	\$1.8724	-\$0.0027
1-2	\$3.4950	\$3.4900	-\$0.0050
3	\$3.4950	\$3.4900	-\$0.0050
4	\$3.4950	\$3.4900	-\$0.0050
5	\$3.4950	\$3.4900	-\$0.0050
DBMC			
1-2	\$1.3061	\$1.3055	-\$0.0006
3	\$2.8166	\$2.7885	-\$0.0281
4	\$4.1497	\$4.0958	-\$0.0539
5	\$7.8329	\$9.8154	\$1.9826
DSCF Costs	\$0.8070	\$0.8060	-\$0.0011
DDU Costs	\$0.1392	\$0.1390	-\$0.0002

Summary of Final Adjustments by Cost Segment (000s)
Comparison of Results using different TYBR volume distributions
(For POIR-2, question # 4)

	2001	2002	BR 2003	AR 2003
LR-J-64 – TYBR				
Parcel Post Trans (c/s 14)	(18,709)	(53,098)	(78,379)	(87,901)
Parcel Post VSD (c/s 8)	(4,615)	(8,596)	(11,787)	(12,552)
Parcel Post Total (all cost segments)	(46,573)	(113,312)	(163,429)	(184,187)
Total For All Classes	(317,387)	(484,812)	(600,902)	(632,695)
LR-J-106 – TYBR				
Parcel Post Trans	(18,740)	(53,097)	(78,356)	(87,875)
Parcel Post VSD (c/s 8)	(4,624)	(8,599)	(11,784)	(12,547)
Parcel Post Total (all cost segments)	(46,613)	(113,313)	(163,403)	(184,157)
Total For All Classes	(317,428)	(484,814)	(600,876)	(632,664)
Difference				
Parcel Post Trans	(31)	1	23	26
Parcel Post VSD (c/s 8)	(9)	(2)	3	5
Parcel Post Total (all cost segments)	(40)	(1)	26	31
Total For All Classes	(40)	(1)	26	31

DECLARATION

I, Jennifer Eggleston, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

Jennifer L. Eggleston

JENNIFER L. EGGLESTON

Dated: October 31, 2001

**RESPONSE OF THE UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

5. Please provide the electronic version of the spreadsheets used to forecast international mail volume and revenue for FY 2001, FY 2002, FY 2003 (test year before rates), and FY 2003 (test year after rates). Exhibits USPS-28A, USPS-28B and USPS-28C. Please show the quarterly volume forecasts of international mail for 2001Q4-2004Q4 in the same manner witnesses Tolley (USPS-T-7) and Musgrave (USPS-T-9) have presented before- and after- rates quarterly volume forecasts of domestic mail.

RESPONSE:

Please see USPS-LR-159.

RESPONSE OF U.S. POSTAL SERVICE WITNESS MOELLER TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 2

7. If there are any planned rate changes for international mail between the base year and the test year, please provide the average percentage change for each year in which there are planned changes and the effective date of each change.

RESPONSE:

The financial calculations in this Request anticipate that international rate changes will be implemented in conjunction with the implementation of the resulting domestic rates. Although specific rates have not been developed, an assumption of a nine percent increase was used in the TYAR scenario. Such an assumption (i.e., an increase similar to the system-average increase for domestic mail) is consistent with previous requests, and helps project the institutional cost burden that will be borne by international mail in the Test Year. The rates developed for domestic mail to meet the revenue requirement, therefore, reflect this added international revenue.

It is my understanding that proposed changes to three commercial categories of international mail have been published in the *Federal Register*, with an implementation date of January 13, 2002. The rate adjustment for these categories is 5.6 percent, which results in an increase in overall outbound revenues of less than one half of one percent.

**RESPONSE OF UNITED STATES POSTAL WITNESS KIEFER
TO PRESIDING OFFICER'S INFORMATION REQUEST 2**

QUESTION 8

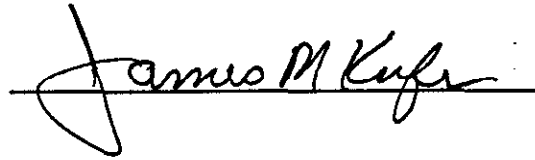
In discussing the possibility of mailers converting machinable parcels to nonmachinable parcels in order to take advantage of the proposed NMO DSCF rate witness Kiefer states, "The Postal Service intends to develop implementation rules that will forestall any such conversions." Please describe the factors and considerations that will be used in developing these implementation rules and discuss how they will forestall conversions.

RESPONSE

The Postal Service has proposed the new 3-digit nonmachinable DSCF rate to offer mailers a way to avoid paying the DBMC nonmachinable surcharge on parcels that cannot practically be prepared in a way that will allow them to be processed on the Postal Service's parcel sorting equipment. In developing this rate proposal, the Postal Service had no desire to divert parcels that could be sorted on its parcel sorters, located in BMCs, to SCFs where they would have to be manually sorted. In consideration of these factors, the Postal Service expects that it will not alter the rules that define what is a machinable parcel and what is nonmachinable so as to make it easier for parcels to bypass mechanized parcel sorting at BMCs. Current rules require machinable parcels deposited at the DSCF to be sorted to 5-digit ZIP Codes. These rules will not be changed. Machinable parcels sorted to 3-digit ZIP Codes will not be eligible for DSCF entry, with or without payment of the 3-digit nonmachinable DSCF surcharge. The Postal Service intends to strictly enforce existing rules to avoid any such diversion of machinable parcels to DSCFs unless they are sorted to 5-digit ZIP Codes.

DECLARATION

I, James M. Kiefer, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in cursive script, reading "James M. Kiefer", is written over a horizontal line.

Dated: 10-31-01

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

9. There are discrepancies between the Rollforward's BEN2FACT and its VBL5 and VBL6 control strings. For example, the distribution key on line 236 of FY2001 BEN2FACT file indicates that cost reduction dollars are distributed to component 43 using component 1449, whereas the VBL5 of the Rollforward Model is actually using component 1469 to distribute costs to component 43. Please compare the FY2001, FY2002, and FY2003 before rate and after rates BEN2FACT files with their corresponding VBL5 and VBL6 control strings, report any discrepancies and for each discrepancy indicate which is correct, the BEN2FACT file or the VBL control strings. Include a detailed explanation of each difference and its impact on the Rollforward, if any, for FY 2001, FY 2002, FY 2003 before rates and after rates.

Response:

Please refer to Attachment 1 that accompanies this response. The first column of eighteen digits preceded by a plus or minus sign is the multiplicative or additive amount applied to the rollforward. Each amount is applied by the use of control strings found in the VBL files 1 through 6 for each execution of the rollforward. These amounts and the directions contained in the VBL control strings define the calculations and results of executing the model. As such, the correct factor amounts and distribution keys are those defined in the VBL control strings.

The second through seventh columns of Attachment 1 are for information purposes only; they have no impact on the results generated by executing the rollforward program. As such, the information provided in these columns is not always properly updated under certain time constraints. Attachment 1 properly updates columns two through seven to reflect the instructions defined in the VBL5 and VBL6 files. The first column in Attachment 1 is for Fiscal Year 2001 only, but columns two through seven apply to all the rollforward years.

**** TSO FOREGROUND HARDCOPY ****
 DSNAME=H37060.FY01H.BEN.DATA

+000000000025492000	1	1	PM EAS 23 & BELOW	CL	M
+000000000025492000	2	1	PM EAS 24 & ABOVE	CL	M
+000000000025492000	3	1	BMC MGRS	CL	M
+000000000022604000	4	2	TOTAL SUPERVISORS	CL	M
+000000000051716000	5	3	TOTAL CLKS & MAILHANDLERS	CL	M
+000000000065450000	6	4	CAG K CLERKS	CL	M
+000000000075189000	7	6&7	TOTAL CITY CARRIERS	CL	M
+000000000049518000	8	8	VEHICLE SERVICE DRIVERS	CL	M
+000000000000000000	9	9	TOTAL SPECIAL DEL. MGRS.	CL	M
+000000000000000000	10	9	EMA-SPECIAL DELVIERY	CL	M
+000000000043710000	11	11	OPERATING EQ MAINT PERS	CL	M
+000000000028700000	12	10	EMA-RURAL	CL	M
+000000000054540000	13	10	TOTAL RURAL SALARIES	CL	M
+000000000056997000	14	11	TOTAL CLNG & PROTECT PERS	CL	M
+000000000046542000	15	11	BLDG EQUIP MAINT PERS	CL	M
+000000000042500000	16	11	CONTRACT CLEANERS	CL	M
+000000000048100000	17	12	MVS-PERSONNEL	CL	M
+000000000023500000	18	12	MVS-SUPPLIES&MATERIALS	CL	M
+000000000026800000	19	12	MVS-RENTAL OF MOTOR VEH	CL	M
+000000000033100000	20	13	BANKING FEES	CL	M
+000000000056161000	21	13	MAIL EQ SHOPS-SALARIES	CL	M
+000000000042500000	22	13	CONTRACT STA. SERV-SALS.	CL	M
+000000000042500000	23	13	PM RENTAL ALLOWANCE	CL	M
+000000000061000000	24	13	TOLLS & FERRIAGE	CL	M
+000000000026800000	25	13	MAIL EQ SHOP-FREIGHT	CL	M
+000000000000000000	26	N/U			
+000000000017235000	27	13	FAC & PROC CENTERS	CL	M
-000000000000000000	28	7	SEI & WKHR MGT		
+000000000006100000	29	13	CITY DELIVERY-CARFARE	CL	M
+000000000000000000	30	13	CITY DELIVERY-DRIVEOUT	CL	M
+000000000026400000	31	14	DOMESTIC TRANSPORT-AIR	CL	M
+000000000044400000	32	14	DOMESTIC TRANSPORT-HIGHWAY	CL	M
+000000000013700000	33	14	DOMESTIC TRANSPORT-RAIL	CL	M
+000000000026800000	34	14	DOMESTIC TRANSPORT-WATER	CL	M
-000000000005100000	35	SEVERAL	ADDITIONAL WORKDAY	AW	M
+000143412000000000	36	18	ANNUITANT HEALTH BENEFITS	OTHER A	
+000000000033100000	37	13	INDIVIDUAL AWARDS (CS1-12)	CL	M
+000000000042500000	38	15	RENTS	CL	M
+0000000000309583000	39	15	HEATING FUEL	CL	M
+000000000054500000	40	15	UTILITIES	CL	M
+000000000052800000	41	15	COMMUNICATIONS	CL	M
+000000000052800000	42	15	BLDG PROJECTS EXPENSED	CL	M
+000000000026800000	43	15	MOVING EXPENSE	CL	M
+000000000039294000	44	16	MATERIAL DIST&LABEL PERS	CL	M
+000000000023500000	45	16	ADP SUPPLIES & SERVICES	CL	M
+000000000023500000	46	16	EQ REPAIR&MAINT EXCL ADP	CL	M
+000000000023500000	47	16	CUSTODIAL	CL	M
+000000000023500000	48	16	BUILDING	CL	M
+000000000007000000	49	16	PRINTING & REPRODUCTION	CL	M
+000000000007000000	50	16	STAMPS & ACCTABLE PAPER	CL	M
+000000000007000000	51	16	MONEY ORDERS	CL	M
+000000000023500000	52	16	OPERATING EQUIP & SUPPLES	CL	M
+000000000023500000	53	16	REIMBURSEMENTS	CL	M
+000000000020326000	54	18	HQ&FIELD SERV UNIT PERS	CL	M
+000000000045817000	55	18	M. O. BRANCH PERSONNEL	CL	M
+000000000017401000	56	18	AREA ADMIN PERSONNEL	CL	M
+000000000045715000	57	18	SECURITY FORCE PERSONNEL	CL	M

Attachment 1
 POIR 2
 Question 9

+00000000000163	JO 58	18	195	INSPECTION SERVICE	CL	M
-0000000000000190000	59	1	1	PM EAS 23 & BELOW	NVW	M
+000000000000000000	60	N/U				
-000017400000000000	61	18	199	REPRICED ANNUAL LEAVE	OTHER	A
+000000000040034000	62	14	146	INTERNAT'L TRANSPORTATION	CL	A
+000000000033100000	63	18	244	COMMISSIONS NON-US MOS	CL	M
+000000000023500000	64	18	210	SUPPLIES & SERVICES	CL	M
+000000000000000000	65	N/U				
+000000000033100000	66	18	212	INSPECTION SERV EXPENSES	CL	M
+000000000007000000	67	16	248	STAMPED ENVELOPES	CL	M
+000000000015844000	68	19	219	MAINT TECH SUPPORT CTR	CL	M
+000000000033100000	69	19	220	SUPPLIES & SERVICES	CL	M
+000000000033100000	70	18	213	REIMBURSEMENTS	CL	M
+000000000033100000	71	20	239	DOMESTIC INDEMNITIES	CL	M
+000000000033100000	72	20	240	INTERNAT'L INDEMNITIES	CL	M
+000000000000000000	73	N/U				
+000000000000000000	74	N/U				
+000000000006220000	75	7	47, 48, 54	CITY CARR-LOAD ACCESS RTE	NVW	M
+0000000000028430000	76	10	72	RURAL ROUTES	NVW	M
+000000000023050000	77	11	74, 79, 81	TOTAL CLNG&PROTECTION PERS	NVW	M
+000000000035300000	78	13	111	CONTRACT STA SERV-SALARIES	NVW	M
-000000000028970000	79	13	112	PM RENTAL ALLOWANCE-CAG L	NVW	M
+000000000033100000	80	20	242	CLAIMS & LOSSES	CL	M
+000000000000000000	81	N/U				
+000000000000000000	82	N/U				
+000000000022000000	83	10	73	EQUIP MAINT ALLOWANC RURAL	NVW	M
+000000000000000000	84	N/U				
+000000000033100000	85	18	1429	INDIVIDUAL AWDS (CS13-20)	CL	M
+000000000006940000	86	15	165	RENT	NVW	M
+000000000023050000	87	15	166	HEATING FUEL	NVW	M
+000000000023050000	88	15	167	UTILITIES	NVW	M
+000030993000000000	89	15	166	HEATING FUEL	OTHER	A
+000084312000000000	90	15	165	RENTS	OTHER	A
-000000176000000000	91	15	167	UTILITIES	OTHER	A
+000000773200000000	92	15	169	BLDG PROJECTS EXPENSED	OTHER	A
-000004484000000000	93	15	168	COMMUNICATIONS	OTHER	A
+000001706000000000	94	15	170	MOVING EXPENSES	OTHER	A
+000000001000000000	95	13	113	TOLLS & FERRIAGE	OTHER	A
+000109942000000000	96	16	174	ADP SUPPLIES & SERVICES	OTHER	A
+000006814000000000	97	16	175	EQUIP REPAIR&MAINT EXC ADP	OTHER	A
+000000185000000000	98	16	176	CUSTODIAL SUPPLIES&SERV	OTHER	A
-000000000000000000	99	16	187	EXPEDITED MAIL SUPPLIES	CL	M
+000000000000000000	100	16	197	OTHER POSTAL SUPPLIES	CL	M
+000000000000000000	101	16	1426	REMOTE ENCODING SUPP	CL	M
-000000000000000000	102	16	196	TRACKING & TRACING	CL	M
+000000000000000000	103	15	234	PRODUCT SPECIFIC RENT	CL	M
+000000000000000000	104	10	72	RURAL CARRIERS PER	OTHER	A
+000000000000000000	105	10	73	EMA-RURAL	OTHER	A
+000002371000000000	106	17	267	R & D CONTRACTS	OTHER	A
+000000001000000000	107	13	125	BANKING FEES	OTHER	A
+000000025000000000	108	15	234	PRODUCT SPECIFIC RENT	OTHER	A
+000000133000000000	109	16	197	OTHER POSTAL SUPPLIES	OTHER	A
-000034530000000000	110	18	201	CSRS CURRENT	OTHER	A
+000098612000000000	111	18	202	CSRS PRIOR	OTHER	A
+000017000000000000	112	14	146	INTERNAT TRANSP PROGRAMS	OTHER	A
-000004100000000000	113	18	200	HOLIDAY LEAVE VARIANCE	OTHER	A
+000041517000000000	114	18	207	ANNUITY PROTECTION PROGRAM	OTHER	A
+000073474000000000	115	18	204	WORKERS' COMP CURRENT	OTHER	A
+000014397000000000	116	18	210	SUPPORT: SUPPLIES&SERVICES	OTHER	A
-000034863000000000	117	18	205	WORKERS' COMP PRIOR	OTHER	A
+000000698000000000	118	18	895	WORKERS' COMP HEALTH BEN	OTHER	A

Attachment 1
POIR 2
Question 9

+0000066960000	JO	119	13	114	FAC & PURCHASE FIELD UNIT	OTL	A
+000000000000000000		120	6	256257	CITY CARRIER REDUCTIONS	CR	A
-000000577000000000		121	20	231	VEHICLE DEPRECIATION	OTHER	A
+000148228000000000		122	20	232	EQUIPMENT DEPRECIATION	OTHER	A
-000019928000000000		123	20	238	BLDG DEPREC & AMORT.	OTHER	A
+000045717000000000		124	20	245	DISPOSITION OF PROPERTY	OTHER	A
+000022364000000000		125	18	241	UNEMPLOYMENT COMPENSATION	OTHER	A
-000005646000000000		126	16	246	ADVERTISING SALES&PROMO	OTHER	A
-000002911000000000		127	16	173	MATERIAL DIST&LABEL PRT	OTHER	A
-000000000000000000		128	N/U				
-000004937000000000		129	18	541	POD WORKERS' COMP	OTHER	A
-000034000000000000		130	14	144	DOMESTIC TRANSPORT-RAIL	CR	A
+000000000000000000		131	14	144	DOMESTIC TRANSPORT-RAIL	OTHER	A
+000000000052800000		132	15	171	REIMBURSEMENTS	CL	M
-000078000000000000		133	14	142	DOMESTIC AIR REDUCTIONS	CR	A
+000000000000000000		134	14	681	ALASKA AIR REDUCTION	CR	A
-000000000000000000		135	14	143/1418	PARCEL POST DS CR (01BR)	CR	A
-000000000000000000		136	3	35/1418	PARCEL POST DS CR (01BR)	CR	A
+000130000000000000		137	14	143	HIGHWAY PROGRAMS	OTHER	A
-000000237000000000		138	20	242	CLAIMES & LOSSES	OTHER	A
+000000396000000000		139	20	249	REIMBURSEMENTS	OTHER	A
+000000005000000000		140	11	81	CONTRACT CLEANERS	OTHER	A
+000003639000000000		141	13	117	FREIGHT-SUPPLIES&MAT	OTHER	A
+000000000000000000		142	N/U				
+000000138000000000		143	13	135	CARFARE	OTHER	A
-000081000000000000		144	14	143	HIGHWAY TRANSPORTATION	CR	A
+000000000000000000		145	14	146	INTERNAT TRANSP PROGRAMS	CR	A
+000000000000000000		146	N/U				
+000000000000000000		147	14	142	DOMESTIC AIR PROGRAMS	OTHER	A
-000040000000000000		148	15	168	COMMUNICATIONS	CR	A
-000004965000000000		149	3	228	TACS	CR	A
-000002089000000000		150	3	35/1440	DBCS OSS	CR	A
-000040069000000000		151	3	35/1469	DBCS ADD CAPACITY	CR	A
-000011624000000000		152	3	35/1468	ROBOTICS	CR	A
+000000669000000000		153	3	228	TACS	OTHER	A
+000000000000000000		154	16	184	OPERATING EQ & SUPPLIES	CR	A
-000046172000000000		155	2	4/1446	REC REDUCTIONS	CR	A
-000001326000000000		156	2	4/1451	TMS UNIVERSAL TRANSPORT	CR	A
+000000571000000000		157	2	4/1451	TMS UNIVERSAL TRANSPORT	OTHER	A
+000000000000000000		158	N/U			OTHER	A
+000000000000000000		159	N/U			OTHER	A
-000000063000000000		160	12	108	RENTAL OF MOTOR VEHICLES	OTHER	A
+000000000000000000		161	12	90	MVS PERSONNEL	OTHER	A
+000000000000000000		162	N/U			CR	A
+000000000000000000		163	N/U				
+000033965000000000		164	12	99	MVS SUPPLIES & SERVICES	OTHER	A
+000000000000000000		165	10	72	RURAL PROGRAMS	OTHER	A
+000000000000000000		166	13	111	CONTRACT STATION SERVICE	OTHER	A
+000000000000000000		167	N/U				
+000000000000000000		168	N/U				
-000000541000000000		169	13	110	MAIL EQUIPMENT SHOPS	OTHER	A
+000000000000000000		170	11	74	MAINT PROGRAMS	OTHER	A
+000002200000000000		171	16	189	REIMBURSEMENTS	OTHER	A
+000100000000000000		172	16	177/1420	FEDEX STARTUP	OTHER	A
+000000000000000000		173	14	142/1465	FY02 FEDEX AIR	CR	A
+000000000000000000		174	14	143/1466	FY02 FEDEX GROUND	OTHER	A
+000000000000000000		175	14	143/1467	FY02 FEDEX HIGHWAY	OTHER	A
+000000000000000000		176	14	142/1470	FY03 FEDEX AIR	CR	A
+000000000000000000		177	14	142/1471	FY03 FEDEX GROUND	CR	A
+000000000000000000		178	14	143/1472	FY02 FEDEX HIGHWAY	OTHER	A
+000000000000000000		179	14	142/142	DOMESTIC AIR OTHER PROG	OTHER	A

Attachment 1
POIR 2
Question 9

-0000000000000000	JO 180	2	252	SUPERVISORS PROGRAMS	OTH. A
+0000000000000000	181	3	35/1468	TOTAL GEN & LOGISTIC	OTHER A
+0000000000000000	182	N/U			
+0000000000000000	183	N/U			
+0000000000000000	184	N/U			
+0000000000000000	185	N/U			
+0000000000000000	186	N/U			
+0000000000000000	187	N/U			
+0000000000000000	188	N/U			
+0000000000000000	189	20	899	OBRA RETROACTIVE PORTION	OTHER A
+000000300000000000	190	18	71	ANNUITANT COLA LIFE INS	OTHER A
+0000000000000000	191	N/U			
+000204200000000000	192	14	142/1454	PMPC DOMESTIC AIR	OTHER A
+000055300000000000	193	14	143/1454	PMPC HIGHWAY	OTHER A
-000018343000000000	194	18	193	AREA ADMINISTRATION	OTHER A
+000000008000000000	195	18	213	REIMBURSEMENTS	OTHER A
+000005853000000000	196	18	195	INSPECTION SERVICE	OTHER A
+000000000000000000	197	18	1430	MISC PERSONNEL EXPENSE	OTHER A
+000137402000000000	198	18	1435	CSRS ANNUITANT COLA	OTHER A
+000000174000000000	199	16	182	INVENTORY ADJUSTMENT	OTHER A
-000245944000000000	200	16	187	EXPEDITED MAIL SUPPLIES	OTHER A
+000000000000000000	201	16	1426	REMOTE ENCODING SUP&SERV	OTHER A
-000000602000000000	202	16	196	COMP TRACKING&TRACING	OTHER A
+000005809000000000	203	11	75/1469	DBCS ADD CAPACITY	OTHER A
+000001056000000000	204	11	75/1468	ROBOTICS	OTHER A
-000001394000000000	205	11	75/35	MTESC/MERLIN MAINT	CR A
+000000067000000000	206	16	248	STAMPED ENVELOPES	OTHER A
+000062506000000000	207	16	177	MISC SUPPLIES & SERVICES	OTHER A
-000000958000000000	208	16	179	PRINTING & REPRODUCTION	OTHER A
+000005621000000000	209	16	180	STAMPS & ACCOUNTABLE PAPER	OTHER A
+000000000000000000	210	N/U			
+000000067000000000	211	16	181	MONEY ORDERS	OTHER A
+000010781000000000	212	3	35/1442	FSM OTHER PROGRAMS	OTHER A
+000000223000000000	213	11	75/1453	PARCEL SINGULATER	OTHER A
+000000331000000000	214	11	75/1447	DBCS DIOSS	OTHER A
+000000000000000000	215	11	75/1450	PARCEL SINGULATOR	CR A
-000000000000000000	216	N/U			CR A
-000000000000000000	217	11	75/1439	CFS MAINT	OTHER A
+000001957000000000	218	18	194	SECURITY FORCE	OTHER A
+000082836000000000	219	18	191	HQ & FIELD SVC UNIT PER	OTHER A
+000000000000000000	220	14	1438	FOREIGN SETTLEMENT TRANS	OTHER A
+000225963000000000	221	18	211	MISC SUPPORT COST BR	OTHER A
+000000118000000000	222	18	212	INSPECTION SERV EXPENSES	OTHER A
-000000295000000000	223	19	219	MTSC PERSONNEL	OTHER A
-000000045000000000	224	6	43/1452	CSBCS EXPANSION	CR A
-000041546000000000	225	16	184	OPERATING EQ & SUPPLIES	OTHER A
-000000373000000000	226	19	220	CONTRACT TRAINING SUPPORT	OTHER A
+000003285000000000	227	3	35/1469	DBCS ADD CAPACITY	OTHER A
+000000424000000000	228	3	35/1448	SORTING TO FLAT CASES	OTHER A
-000094906000000000	229	6	43/1447	DBCS DIOSS	CR A
-000014331000000000	230	6	43/1463-	ID CODE SORT (1440,41,52)	CR A
-000000002000000000	231	6	43/1447	SORTING TO LETTER CASES	OTHER A
+000037354000000000	232	20	1436	INTEREST-RETIREMENT	OTHER A
+000000259000000000	233	20	1437	INTEREST-OTHER	OTHER A
+000093151000000000	234	20	587	INTEREST ON DEBT	OTHER A
-000000000000000000	235	N/U			CR A
-000010848000000000	236	6	43/1469	DBCS ADD CAPACITY	CR A
+000000000000000000	237	6	43/1449	MLOC PROGRAMS	CR A
+000000000000000000	238	3	43/1452	CSBCS PROGRAMS	CR A
+000014603000000000	239	6	46/1464	DELIVERY CONFIRM SCAN	OTHER A
-000000000000000000	240	N/U			OTHER A

Attachment 1
POIR 2
Question 9

[illegible]

Page 5 of 5

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

10. The FY 2000 mail volumes for International, Registry, Certified, Insurance, and Other Special Services in Witness Patelunas' Exhibit 12A at page 15 differ from those listed in Witness Meehan's Workpaper A, pages 125 and 126. Please explain these differences and indicate which volumes should be used in the rollforward and discuss the impact, if any, on FY 2001, FY 2002, FY 2003 Before Rates, and FY 2003 After Rates costs.

Response:

The amounts shown in my Exhibit 12A at page 15 should be used in the rollforward because they are consistent with the amounts shown in the volume forecast. An explanation of the differences between my Exhibit 12A and witness Meehan's Workpaper A, pages 125 and 126 follows, and these differences have no impact on any of the rollforward years. Also, there is no mail volume effect applied to Other Special Services; therefore, the Exhibit 12A effect is correct.

Please refer to Attachment 1 that accompanies this response. The first column shows the amounts appearing in my Exhibit 12A. The last column shows the amounts appearing in witness Meehan's Workpaper A at page 125. As the equation explains, the last column is the result of adding column (1) and (2), subtracting columns (3), (4) and (5), and adding column (6).

	Patekonus Exhibit 12A Page 15	Meehan Workpaper A Additional Svc Pieces Page 125	Meehan Workpaper B W/s 1.1.2 (page 12) Internat'l Other Spec Svc	Domestic Return Receipts	Ancillary Pieces Restricted Delivery	Meehan Workpaper B W/S 1.1.2 (page 12) Internat'l Money Orders	Meehan Workpaper A Total Pieces Page 125
	(1)	(2)	(3)	(4)	(5)	(6)	(1)+(2)-(3)-(4)-(5)+(6)
International	1,105,773	-	6,296		-	1,546	1,101,024
Registry	8,931	2,444	-		18		11,357
Certified	270,533	231,860	-		2,898		499,495
Insurance	56,835	1,671	-		45		58,461
Other Special Services	356,056	-	-	233,014			123,042

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

11. Please provide the Excel spreadsheet associated with USPS-T-12, Appendix A, Mail Processing Cost Reduction Explanation and Display.

Response:

Please see USPS-LR-J-48, Diskette of Witness Patelunas's Spreadsheets for Appendices A and B and Exhibit USPS-12A (USPS-T-12), filed September 24, 2001.

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

12. Witness Patelunas' Exhibit 12A at pages 15 through 18 shows the derivation of the mail volume cost effect factors which are input into the file RAT2FACT for use in the cost rollforward process. Column 2, labeled CRA Line, shows the CRA line number for each of the classes and subclasses of mail in the CRA cost matrix. These line numbers should correspond to the line numbers shown in the file AHEAD, in Library Reference J-6 at \Fy01h\control\AHEAD. Exhibit 12A shows the CRA line number for Insurance and Certified to be 164 and 165, respectively. However, the file \Fy01h\Control\AHEAD, shows the line numbers to be just the opposite, line 165 for Insurance and line 164 for Certified. An examination of the mail volume effect in the rollforward for FY 2001, 2002, and the Test Year Before Rates and After Rates shows that Certified costs are increased by the RAT2FACT factor apparently intended for Insurance and Insurance costs are increased by the RAT2FACT factor apparently intended for Certified. If necessary, please provide appropriate corrections. Include corrections to the cost rollforward workpapers and Exhibits of Witness Patelunas, and all corrections to Exhibits and/or Workpapers of any other witness who are affected by the correction to the rollforward. Additionally, please provide all corrections to the cost rollforward workpapers for the PRC version in Library Reference J-75.

Response:

The hypothesis posed in this Information Request is correct – for each of the rollforward years, Certified costs are increased by the RAT2FACT factor intended for Insurance and Insurance costs are increased by the RAT2FACT factor intended for Certified. In addition to the error identified in the Information Request, two other errors were found in the Postal Service version and the corrections are incorporated in the revisions. One, the FY 2002 D Report in Exhibit USPS-12E calculated a contingency and there is no contingency in that year. Second, the Test Year Final Adjustment intended for Certified was applied to Insurance. These corrections have been made and the rollforward has been rerun. The results are shown in the errata filed separately today, 10/31/01, for the following documents:

**RESPONSE OF UNITED STATES POSTAL SERVICE
WITNESS PATELUNAS
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

USPS-T-12	Exhibit A	TYAR Total Costs
USPS-T-12	Exhibit E	FY02G with Mix D Report
USPS-T-12	Exhibit I	TY03 After Rates with Mix D Report
USPS-T-12	Workpaper WP-H	Table E TY03AR with Mix D Report

Additionally, Attachment 1 that accompanies this response shows the test year impact on classes, subclasses and special services of correcting for the mail volume effect and final adjustments on Certified and Insurance; the FY 2002 D Report adjustment has no impact on the test year figures.

	USPS-T-12 Exhibit 12A	USPS-T-12 Exhibit 12A Revised 10/31/01	Difference Column (1) minus Column (2)	% Difference Column (3) divided by Column (1)
	(1)	(2)	(3)	(4)
First-Class Mail:				
Single-Piece Letters	12,428,541	12,425,858	(683)	-0.01%
Presort Letters	5,436,862	5,436,371	(290)	-0.01%
Total Letters	17,865,203	17,862,230	(973)	-0.01%
Single-Piece Cards	559,862	559,631	(31)	-0.01%
Presort Cards	145,845	145,835	(10)	-0.01%
Total Cards	705,507	705,466	(41)	-0.01%
Total First	18,568,710	18,567,695	(1,015)	-0.01%
Priority Mail	3,567,993	3,567,868	(125)	0.00%
Express Mail	494,819	494,779	(40)	-0.01%
Mailgrams	637	639	2	0.32%
Periodicals				
In-County	78,785	78,780	(5)	-0.01%
Outside County	2,313,219	2,313,124	(95)	0.00%
Total Periodicals	2,392,004	2,391,903	(101)	0.00%
Standard Mail				
Enhanced Carrier Route	2,700,724	2,700,570	(153)	-0.01%
Regular	8,690,374	8,689,931	(443)	-0.01%
Total Standard Mail	11,391,097	11,390,501	(596)	-0.01%
Package Services				
Parcel Post	1,040,238	1,040,188	(40)	0.00%
Bound Printed Matter	542,200	542,173	(27)	0.00%
Media Mail	279,052	279,039	(12)	0.00%
Total Package Services	1,861,490	1,861,411	(79)	0.00%
U S Postal Service	0	-	-	0.00%
Free Mail—Blind&Hndc&Serv	38,341	38,344	3	0.01%
International Mail	1,580,572	1,580,532	(40)	0.00%
Total Mail				
Special Services:				
Registry	79,597	79,573	(25)	-0.03%
Certified	454,204	475,444	21,240	4.68%
Insurance	114,184	108,721	(5,473)	-4.79%
COD	12,808	12,598	(10)	-0.08%
Money Orders	180,181	180,160	(21)	-0.01%
Stamped Cards	2,885	2,885	-	0.00%
Stamped Envelopes	12,978	12,977	(1)	-0.01%
Special Handling	1,944	1,945	1	0.05%
Post Office Box	659,780	659,700	(81)	-0.01%
Other	176,648	176,567	(81)	-0.05%
Total Spc Svcs	1,695,000	1,710,568	15,568	0.92%
Volume Variable	41,590,853	41,604,240	13,577	0.03%
Other	32,583,195	32,582,084	(1,111)	0.00%
Total Costs	74,173,858	74,186,324	12,466	0.02%

DECLARATION

I, Richard Patelunas, declare under penalty of perjury that the foregoing answers to interrogatories are true and correct to the best of my knowledge, information, and belief.

Richard Patelunas

Dated: 10/31/01

**RESPONSE OF POSTAL SERVICE WITNESS KAY
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

12. Witness Patelunas' Exhibit 12A at pages 15 through 18 shows the derivation of the mail volume cost effect factors which are input into the file RAT2FACT for use in the cost rollforward process. Column 2, labeled CRA Line, shows the CRA line number for each of the classes and subclasses of mail in the CRA cost matrix. These line numbers should correspond to the line numbers shown in the file AHEAD, in Library Reference J-6 at \Fy01h\control\AHEAD. Exhibit 12A shows the CRA line number for Insurance and Certified to be 164 and 165, respectively. However, the file \Fy01h\Control\AHEAD, shows the line numbers to be just the opposite, line 165 for Insurance and line 164 for Certified. An examination of the mail volume effect in the rollforward for FY 2001, 2002, and the Test Year Before Rates and After Rates shows that Certified costs are increased by the RAT2FACT factor apparently intended for Insurance and Insurance costs are increased by the RAT2FACT factor apparently intended for Certified. If necessary, please provide appropriate corrections. Include corrections to the cost rollforward workpapers and Exhibits of Witness Patelunas, and all corrections to Exhibits and/or Workpapers of any other witness who are affected by the correction to the rollforward. Additionally, please provide all corrections to the cost rollforward workpapers for the PRC version in Library Reference J-75.

RESPONSE:

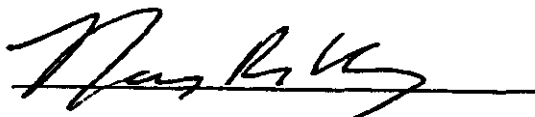
Please see witness Patelunas's response to this item. The corrections he describes to the mail volume effect factors affect the inputs to my incremental cost analysis. Using the corrected inputs, the TYAR incremental costs reported in my testimony change as shown on the attached sheet. As can also be seen on the attached sheet, the changes are immaterial for all products except Certified and Insurance. Errata to Tables 1A and 2A of my testimony will be filed separately.

CHANGE IN TEST YEAR 2003 (AR) INCREMENTAL COST FOR SUBCLASSES AND
CLASSES, CORRECTED AS PER POIR 2

LINE NO.	CLASS, SUBCLASS, OR SPECIAL SERVICE	TY2003 (AR) INCREMENTAL COST AS FILED	TY2003 (AR) INCREMENTAL COST AS CORRECTED FOR POIR 2	DIFFERENCE	PERCENT DIFFERENCE
	COLUMN NUMBER	(1)	(2)	(3)	(4)
1	FIRST-CLASS MAIL				
2	SINGLE PIECE LETTERS	13,012,190	13,011,478	(712)	-0.01%
3	PRESORT LETTERS	5,682,987	5,682,689	(298)	-0.01%
4	TOTAL LETTERS	19,187,655	19,186,625	(1,029)	-0.01%
5	SINGLE PIECE CARDS	574,853	574,823	(31)	-0.01%
6	PRESORT CARDS	145,968	145,957	(11)	-0.01%
7	TOTAL CARDS	721,636	721,594	(42)	-0.01%
8	TOTAL FIRST	20,128,807	20,127,728	(1,079)	-0.01%
9	PRIORITY MAIL	3,907,493	3,907,368	(126)	0.00%
10	EXPRESS MAIL	633,429	633,390	(39)	-0.01%
11	MAILGRAMS	698	701	3	0.40%
12	PERIODICALS:				
13	WITHIN COUNTY	79,827	79,820	(6)	-0.01%
14	OUTSIDE COUNTY	2,341,867	2,341,769	(98)	0.00%
15	TOTAL PERIODICALS	2,423,646	2,423,541	(105)	0.00%
16	STANDARD MAIL:				
17	ENHANCED CARR RTE	2,864,987	2,864,824	(163)	-0.01%
18	REGULAR	8,935,179	8,934,727	(452)	-0.01%
19	TOTAL STANDARD MAIL	12,148,613	12,147,981	(632)	-0.01%
20	PACKAGE SERVICES:				
21	PARCEL POST	1,048,946	1,048,905	(40)	0.00%
22	BOUND PRINTED MATTER	545,267	545,241	(26)	0.00%
23	MEDIA MAIL	279,858	279,845	(13)	0.00%
24	TOTAL PACKAGE SERVICES	1,887,244	1,887,184	(60)	0.00%
25	U.S. POSTAL SERVICE				
26	FREE MAIL	38,439	38,443	4	0.01%
27	INTERNATIONAL MAIL	1,667,159	1,667,116	(44)	0.00%
28	SPECIAL SERVICES:				
29	REGISTRY	79,708	79,685	(23)	-0.03%
30	CERTIFIED	484,642	507,313	22,672	4.68%
31	INSURANCE	114,357	108,876	(5,481)	-4.79%
32	COD	12,630	12,619	(11)	-0.09%
33	MONEY ORDERS	247,016	246,989	(27)	-0.01%
34	STAMPED CARDS	2,885	2,885	-	0.00%
35	STAMPED ENVELOPES	12,978	12,976	(1)	-0.01%
36	SPECIAL HANDLING	1,945	1,946	1	0.05%
37	POST OFFICE BOX	660,125	660,065	(60)	-0.01%
38	OTHER	199,391	199,309	(82)	-0.04%
39	TOTAL SPECIAL SERVICES	1,898,143	1,917,031	18,888	1.00%
40	CORRESPONDENCE	20,098,008	20,096,946	(1,062)	-0.01%
41	ADVERTISING	12,704,261	12,703,607	(654)	-0.01%
42	EXPEDITED	5,902,384	5,902,168	(216)	0.00%

DECLARATION

I, Nancy R. Kay, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.

A handwritten signature in black ink, appearing to read "Nancy R. Kay", is written over a horizontal line.

Dated October 31, 2001

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

12. Witness Patelunas' Exhibit 12A at pages 15 through 18 shows the derivation of the mail volume cost effect factors which are input into the file RAT2FACT for use in the cost rollforward process. Column 2, labeled CRA Line, shows the CRA line number for each of the classes and subclasses of mail in the CRA cost matrix. These line numbers should correspond to the line numbers shown in the file AHEAD, in Library Reference J-6 at \Fy01h\control\AHEAD. Exhibit 12A shows the CRA line number for Insurance and Certified to be 164 and 165, respectively. However, the file \Fy01h\Control\AHEAD, shows the line numbers to be just the opposite, line 165 for Insurance and line 164 for Certified. An examination of the mail volume effect in the rollforward for FY 2001, 2002, and the Test Year Before Rates and After Rates shows that Certified costs are increased by the RAT2FACT factor apparently intended for Insurance and Insurance costs are increased by the RAT2FACT factor apparently intended for Certified. If necessary, please provide appropriate corrections. Include corrections to the cost rollforward workpapers and Exhibits of Witness Patelunas, and all corrections to Exhibits and/or Workpapers of any other witness who are affected by the correction to the rollforward. Additionally, please provide all corrections to the cost rollforward workpapers for the PRC version in Library Reference J-75.

Response:

The hypothesis posed in this Information Request is correct – for each of the rollforward years, Certified costs are increased by the RAT2FACT factor intended for Insurance and Insurance costs are increased by the RAT2FACT factor intended for Certified. In addition to the error identified in the Information Request, two other errors were found in the PRC version and the corrections are incorporated in the revisions. First, the test year contingency was calculated at one percent, and it should have been at three percent. Second, the Test Year Final Adjustment intended for Certified was applied to Insurance. These corrections have been made and the rollforward has been rerun. The results are shown in the errata filed separately today, 10/31/01, for the following document:

USPS-LR-J-75 Volume H Table E PRC TY03AR with Mix D Report.

**RESPONSE OF UNITED STATES POSTAL SERVICE
TO PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

Response continued:

Additionally, Attachment 1 that accompanies this response shows the test year impact on classes, subclasses and special services of, first, changing the contingency to three percent, and, second, correcting for the mail volume effect and final adjustments on Certified and Insurance.

	TYAR at 1% Contingency USPS-LR-J-75 Vol. H, Table E D Report (1)	TYAR at 3% Contingency Column (1) costs using a 3% Contingency (2)	Difference due to Contingency Column (1) minus Column (2) (3)	USPS-LR-J-75 Volume H Table E, D Report Revised 10/31/01 (4)	Difference due to Certified/Insurance Column (4) minus Column (2) (5)	% Difference due to Certified/Insurance Column (4) divided by Column (2) (5)
First-Class Mail:						
Single-Piece Letters	13,429,284	13,695,211	265,926	13,694,415	(795)	-0.01%
Presort Letters	5,670,968	5,987,245	116,257	5,986,916	(329)	-0.01%
Total Letters	19,300,272	19,682,455	382,184	19,681,332	(1,124)	-0.01%
Single-Piece Cards	612,314	624,439	12,125	624,401	(37)	-0.01%
Presort Cards	157,759	160,883	3,124	160,883	-	0.00%
Total Cards	770,072	785,321	15,249	785,284	(37)	0.00%
Total First	20,070,344	20,467,777	397,433	20,466,616	(1,161)	-0.01%
Priority Mail	3,813,054	3,888,560	75,506	3,888,416	(144)	0.00%
Express Mail	602,459	614,389	11,930	614,341	(47)	-0.01%
Mailgrams	793	809	16	808	(1)	-0.13%
Periodicals						
In-County	80,818	82,419	1,600	82,415	(3)	0.00%
Outside County	2,429,689	2,477,902	48,113	2,477,588	(114)	0.00%
Total Periodicals	2,510,508	2,560,221	49,713	2,560,103	(117)	0.00%
Standard Mail						
Enhanced Carrier Route	2,869,430	2,926,251	56,820	2,926,088	(163)	-0.01%
Regular	9,227,895	9,410,626	182,731	9,410,109	(517)	-0.01%
Total Standard Mail	12,097,326	12,336,877	239,551	12,336,196	(680)	-0.01%
Package Services						
Parcel Post	1,029,295	1,049,577	20,382	1,049,630	(47)	0.00%
Bound Printed Matter	550,242	561,138	10,896	561,111	(27)	0.00%
Media Mail	287,136	292,822	5,686	292,805	(16)	-0.01%
Total Package Services	1,866,673	1,903,637	36,964	1,903,546	(91)	0.00%
U S Postal Service	0	-	-	-	-	0.00%
Free Mail--Blind&Hndc&Serv	40,044	40,837	793	40,836	(1)	0.00%
International Mail	1,674,528	1,707,687	33,159	1,707,632	(56)	0.00%
Total Mail	42,675,729	43,520,793	845,064	43,518,495	(2,298)	-0.01%
Special Services:						
Registry	57,155	58,287	1,132	58,268	(19)	-0.03%
Certified	453,864	462,851	8,987	507,715	44,864	9.69%
Insurance	133,669	136,318	2,647	108,792	(27,525)	-20.19%
COD	13,174	13,435	261	13,427	(8)	-0.06%
Money Orders	183,016	186,640	3,624	186,621	(20)	-0.01%
Stamped Cards	2,828	2,884	56	2,884	-	0.00%
Stamped Envelopes	12,672	12,923	251	12,923	-	0.00%
Special Handling	2,170	2,213	43	2,215	1	0.05%
Post Office Box	637,267	649,888	12,619	649,827	(59)	-0.01%
Other	270,955	276,320	5,365	276,241	(79)	-0.03%
Total Spc Svcs	1,766,771	1,801,756	34,985	1,818,912	17,156	0.95%
Volume Variable	44,442,500	45,322,549	880,050	45,337,407	14,857	0.03%
Other	28,201,016	28,759,452	558,436	28,758,382	(1,070)	0.00%
Total Costs	72,643,516	74,082,001	1,438,485	74,095,789	13,787	0.02%

**RESPONSE OF U.S. POSTAL SERVICE WITNESS MOELLER TO PRESIDING
OFFICER'S INFORMATION REQUEST NO. 2**

13. This question concerns prebarcoded letter-shaped mail pieces that weigh more than 3.3 ounces, but not more than 3.5 ounces and that meet all other automation requirements for letters. Witness Moeller refers to this mail as heavy automation letters. USPS-T-32 at 4.

- a. In USPS-T-32 at 4-5, witness Moeller states that "[t]his proposal is also advantageous to the Postal Service, since automated letter processing (even for pieces of this weight) is more cost-effective than manual letter or automated flat processing." Are heavy automation letters currently processed in the letter mail processing stream or the flat mail processing stream? If heavy automation letters are currently processed as automated letters, is the Postal Service currently benefiting from the cost effectiveness of processing these mail pieces as automated letters rather than as automated flats or manual letters?**
- b. In USPS-T-32 at 4, witness Moeller states that "the proposed change is intended to permit automation letter mailers to avoid the substantial rate increase for letter-shaped pieces exceeding 3.3 ounces." Will the proposed pound rate applicable to heavy automation letters cover their additional costs compared to the costs of other automation letters?**
- c. Does the Postal Service expect some mailers to convert from flat-shaped automation pieces to heavy weight automation letters to take advantage of the lower rate?**

RESPONSE:

- a. Under the current rates and mail preparation guidelines, there are no "heavy automation letters" in Standard Mail. Automation pieces that weigh more than 3.3 ounces are deemed nonletters for rate and preparation purposes. They are likely to be prepared as automation flats, since that is the best rate available for pieces of this weight. As such, they are typically processed in the flat automation mailstream. Therefore, there is currently little or no benefit because they are not typically processed as automation letters.**

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RESPONSE to POIR 2, Question 13 (continued):

b. No explicit cost data are available that isolate the added cost of an additional 0.2 ounce for an automation letter. It is assumed that any added cost is covered by charging the incremental pound rate that would be charged to any other pound-rated mailpiece that experiences an increase in weight of 0.2 ounce.

c. Although no estimates are made of any conversion from automation flats to automation letters, it seems that such conversion might occur. However, mailers of automation flats that weigh in the vicinity of 3.3-3.5 ounces have incentive today to reconfigure as letters if their marketing goals can be achieved with a letter-size format, and if the weight can be limited to 3.3 ounces. The slight increase in the automation letter weight limit might make such conversion somewhat more likely; however, the mailer would still have to weigh the benefit of the lower rate against the potential costs of converting flat mail to letter-shaped mail and the perceived marketing impact (either positive or negative).

DECLARATION

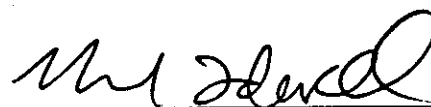
I, Joseph D. Moeller, declare under penalty of perjury that the foregoing answers are true and correct, to the best of my knowledge, information, and belief.


JOSEPH D. MOELLER

Dated: October 31, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

A handwritten signature in black ink, appearing to read "Michael Tidwell", written over a horizontal line.

Michael Tidwell

475 L'Enfant Plaza West, S.W.
Washington, D.C. 20260-1137
October 31, 2001